

Message Text

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ACTION EUR-12

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PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: ECON, EFIN, OECD

SUBJECT: DISCUSSION OF FIRST DRAFT OF OECD MINISTERIAL
COMMUNIQUE

REF: (A) STATE 146324, (B) PARIS 18011, (C) CES/78.58,
(D) ANNEX TO C(78)94 FINAL

1. SUMMARY. HEADS OF DEL MEETING JUNE 9 HAD INITIAL
DISCUSSION OF DRAFT COMMUNIQUE OF OECD MINISTERIAL
MEETING. SECRETARIAT WILL PRESUMABLY PREPARE REVISED
VERSION OVER WEEKEND WHICH WOULD BE BASIS OF CONSIDERA-
TION BY DRAFTING GROUP THAT WILL ASSEMBLE AT NOON ON
JUNE 14. END SUMMARY.

OVERVIEW AND COMMENT

2. MOST REPS AT HEADS OF DEL SPOKE FROM INSTRUCTIONS
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(NOTABLE EXCEPTION: JAPAN) WHICH, HOWEVER, APPEARED
IN MANY CASES NOT TO HAVE BEEN VETTED THOROUGHLY AMONG
ALL INTERESTED MINISTRIES. THUS, US PARTICIPANTS IN
COMMUNIQUE DRAFTING GROUP SHOULD NOT EXPECT REMARKS BY
OTHER COUNTRY REPRESENTATIVES TO BE CONFINED TO THOSE
REPORTED BELOW.

3. MOST FREQUENT OVERALL COMMENT BY DELEGATIONS WAS THAT IT WOULD BE WELL TO SHORTEN THE TEXT, PARTICULARLY BY COMPRESSING THE ECONOMIC BACKGROUND SECTION.

4. SURPRISINGLY, SURPLUS COUNTRIES (WHO HAVE RATHER PRECISE OBLIGATIONS CONFERRED ON THEM IN DRAFT) DID NOT OBJECT TO THESE REFERENCES. NO ONE QUESTIONED BASIC "CONCERTED ACTION" STRATEGY, ALTHOUGH SWISS REP PREFERRED THAT COUNTRIES NOT BE SPECIFIED BY NAME. HOWEVER, THOSE COUNTRIES SPEAKING TO PARAGRAPH 12, WHICH REFERS TO SECRETARIAT'S NUMERICAL ELABORATION OF STRATEGY, REJECTED INCLUDING SUCH A REFERENCE IN COMMUNIQUE.

5. IN ACCORDANCE REFTEL A, US DEL (KATZ) MADE GENERAL COMMENTS AS FOLLOWS:

(A) DIAGNOSIS (SECTION I) IS TOO GLOOMY -- THIS COULD HAVE ADVERSE EFFECT ON CONFIDENCE AND BRING INTO QUESTION THE ADEQUACY OF THE PRESCRIPTION.

(B) THE PRESCRIPTION IN SECTION II SHOULD BE CAREFULLY FORMULATED TO REFLECT THE DEGREE OF POLITICAL AGREEMENT ANTICIPATED AT END OF DAY ON JUNE 15. CONCLUSIONS OF EPC SHOULD BE "MOVED FORWARD", BUT SPECIFICITY OF PRESENT DRAFT IS TOO ASSERTIVE. MAIN PROBLEM IS LIMITED OFFICIAL USE

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PARAGRAPH 12, FOR WHICH WE PROPOSE MUCH SHORTER ALTERNATIVE. WE ARE ALSO ANXIOUS TO MODIFY THE DISCUSSION OF MONETARY QUESTIONS IN PARAGRAPH 16.

(C) IN SECTION III ON NORTH/SOUTH QUESTIONS, WE FIND LANGUAGE TOO PESSIMISTIC. IT SHOULD REFLECT RECENT TANGIBLE ACHIEVEMENTS, E.G., INCREASED APPROPRIATION FOR INTERNATIONAL LENDING BANKS, ACCOMPLISHMENTS IN UNCTAD, AND USEFUL DIALOGUE IN THE UN COMMITTEE OF THE WHOLE. US WOULD ALSO LIKE TO AMEND THE LANGUAGE REFERRING TO THE STUDY OF INVESTMENT IN LDC'S (PARA 21) TO GIVE IT MORE REALISTIC TERMS OF REFERENCE.

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D) US HANDING DETAILED DRAFTING SUGGESTIONS REFLECTING
THESE AND OTHER CONCERNS TO SECRETARIAT (NOTE: IN
PAPER PROVIDED SECRETARIAT, MISSION DID NOT INCLUDE
REF A'S SUGGESTED AMENDMENT TO PARA 11 AS
NEITHER JAPAN NOR FRG TOOK ISSUE WITH IT.

6. US PROPOSAL (PARAGRAPH 23) OF LANGUAGE FOR INCLUSION
IN COMMUNIQUE ON TREATY TO PREVENT ILLICIT PAYMENTS
WAS GENERALLY FELT TO BE "PREMATURE". FRENCH PROPOSED
ALTERNATIVE TEXT. US PROPOSAL FOR INCLUSION OF PARA-
GRAPH ON EXPORT CREDITS, WHICH WAS CIRCULATED AS
ADDENDUM 1 TO REF C, ELICITED STRONG REJECTION FROM
FRENCH REP. SEE PARA 8 BELOW FOR DETAILS.

7. DISCUSSION OF POSITIVE ADJUSTMENT PAPER (PARIS
17875) BEING REPORTED SEPTEL. MAIN POINT TO BE
RESOLVED CONCERNS UK OBJECTION TO PUBLISHING TEXT
AS ANNEX TO COMMUNIQUE.

8. HIGHLIGHTS OF COMMENTS BY OTHER REPS ON INDIVIDUAL
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PARAGRAPHS OF DRAFT COMMUNIQUE ARE AS FOLLOWS:

PARA 3: A FEW COUNTRIES (MAINLY NETHERLANDS) CALLED
FOR ELABORATED, MORE FORTHCOMING REFERENCE TO INTER-
DEPENDENCE OF DC'S AND LDC'S.

PARA 5: FRANCE OBJECTED TO LUMPING TOGETHER "DEFEN-

SIVE" AND PROTECTIONIST MEASURES.

PARA 11: OF NAMED COUNTRIES, ONLY SWITZERLAND SUGGESTED DROPPING EXPLICIT REFERENCE. ITALY QUIBBLED WITH WORD "SIGNIFICANT". NETHERLANDS SUGGESTED THAT REFERENCE TO IT BE AMENDED TO READ "SHOULD TRY TO CONSOLIDATE THE EFFECTS IN THE BOOST OF DOMESTIC DEMAND WHICH WERE SO SATISFACTORILY ACHIEVED LAST YEAR".

PARA 12: AUSTRALIA, CANADA, JAPAN AND UK JOINED US IN SEEKING DELETION.

PARA 13: FRENCH REP SOUGHT TO REVERSE ORDER OF SUB-PARAS (II) AND (III). UK REP QUESTIONED THE APPROVAL BY MINISTERS OF POSITIVE ADJUSTMENT PAPER AS ANNEX TO COMMUNIQUE.

PARA 14 (ENERGY): DEBATE CENTERED ON MANNER OF REFERENCE TO IEA: FRANCE AGREED WITH THRUST OF IEA DECISIONS BUT INSISTED THAT FORMULATION BE FOUND WHEREBY OECD MINISTERS WOULD NOT BE ASKED TO URGE THAT ALL MEMBERS IMPLEMENT IEA DECISIONS. SWEDEN NOTED IT HAD RESERVED ON ONE POINT IN IEA COMMUNIQUE. NETHERLANDS SOUGHT EXPANSION OF SUBPARA (II) TO INCLUDE REFERENCE TO SPEEDY RESOLUTION OF PROBLEM OF NUCLEAR WASTE STORAGE.

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PARA 16: TURKEY PROPOSED ADDITION OF PHRASE CONCERNING SPECIAL DIFFICULTIES OF LESS INDUSTRIALIZED COUNTRIES AND OF REFERENCE TO 1977 COMMUNIQUE ON THIS QUESTION.

PARA 18: MANY REPS AGREED WITH CANADIANS OBJECTION TO CHARACTERIZATION OF "MARKET PENETRATION" BY LDC'S AS SOMETHING UNDESIRABLE, AND SEVERAL QUESTIONED WHETHER "NO EVIDENCE OF GLOBAL ACCELERATION IN MARKET PENETRATION" WAS FACTUALLY CORRECT.

PARA 19: CANADA AND FRANCE FAVORED DELETION ON GROUNDS OF REDUNDANCY. AUSTRALIA AND NEW ZEALAND WERE ALSO UNHAPPY, SUGGESTING THAT THIS SECTION NEEDED TO INCLUDE REFERENCE TO AGRICULTURE -- OR AT LEAST TO PROBLEMS OF COMMODITY TRADE.

PARA 21: NUMBER OF DELS FOUND LANGUAGE UNCLEAR. SPECIFICATIONS OF SECTORS AND PROPOSED "INSTRUCTION" BY MINISTERS WERE MAIN POINTS RAISED. NETHERLANDS CALLED FOR REFERENCE TO ODA ELEMENT.

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PARA 22: DUTCH WANTED THIS BEEFED-UP AND, WITH SUPPORT
OF CANADA AND EEC, CALLED FOR MORE POSITIVE ACTION
THAN REDUCTION OF ADMINISTRATIVE BOTTLENECKS.

PARA 23 (US PROPOSAL ON TREATY TO PREVENT ILLICIT
PAYMENTS): MOST REPS LACKED INSTRUCTIONS, BUT SOME
OF THOSE (NETHERLANDS, CANADA, DENMARK, GREECE, NEW
ZEALAND) FELT THAT IT WAS PREMATURE TO STRIVE FOR
MINISTERIAL ENDORSEMENT. FRANCE PROPOSED FOLLOWING
ALTERNATIVE TEXT (INFORMAL TRANSLATION):

"THE MINISTERS WELCOMED THE SUBSTANTIAL PROGRESS MADE
THIS YEAR AT THE ECOSOC SPECIAL WORKING GROUP IN THE
PREPARATION OF AN ACCORD FOR THE REPRESSION OF CORRUPT
PRACTICES IN INTERNATIONAL TRADE.

THEY EXPRESSED THE WISH THAT FUTURE PROGRESS IN THE
WORK OF THIS GROUP WILL PERMIT THE CONVOCAION OF A
DIPLOMATIC CONFERENCE IN 1979."

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EC REP PREFERRED FRENCH TEXT, AND UK REP ADDED THAT HMG HAD HAD "GRAVE DIFFICULTIES" WITH ORIGINAL US DRAFT TREATY DUE TO ITS PROVISIONS CONCERNING EXTRA-TERRITORIALITY.

US PROPOSAL ON EXPORT CREDIT: FRANCE EXPRESSED SURPRISE AT US PROPOSAL (ADDENDUM TO REF C) GIVEN THAT CURRENT AGREEMENT HAD ONLY RECENTLY COME INTO EFFECT AND WAS DUE FOR REVIEW IN OCTOBER. GOF REP ASKED WHY THIS FRESH AGREEMENT SHOULD BE SUPERSEDED AND SAID US SEEMED TO BE CALLING IT INTO QUESTION. ACCORDINGLY, FRENCH SUGGESTED US TEXT BE DROPPED.

9. SECRETARIAT REACTION TO COMMENT. VAN LENNEP SAID HE ATTACHED CONSIDERABLE IMPORTANCE TO PARAGRAPH 12, NOTING THAT UK CHANCELLOR HEALEY HAD REFERRED TO SECRETARIAT'S WORK IN HIS PRESS CONFERENCE FOLLOWING INTERIM COMMITTEE MEETING. MARRIS ADMITTED THAT MUCH OPPOSITION EXISTED TO THIS PARAGRAPH BUT CLAIMED THAT THE EPC HAD NOT REJECTED THE CONCEPT AND THAT IT WAS NECESSARY TO CORRECT MISREPORTING IN PRESS (KATZ RESPONDED THAT INCLUDING PARA 12 IN REVISED TEXT WOULD RISK COMPOUNDING PROBLEMS WITH PRESS PLAY). MARRIS AGREED THAT PARA 18 REQUIRED REDRAFTING. HE FELT PARA 19 WAS NECESSARY TO PROVIDE BALANCE TO PARA 20.

10. MISSION WILL TRANSMIT TEXT OF REVISED DRAFT COMMUNIQUE AS SOON AS POSSIBLE AFTER RECEIPT.
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